

SACS ACCOUNTING COMMITTEE

Minutes

February 6, 2001

I. Announcements

- A. There is a new School Fiscal Services site for information about the audit resolution process:
<http://www.cde.ca.gov/sfsdiv/audit/>
- B. FCMAT and Gilbert Accountancy are putting on a governmental accounting workshop on March 12-13 in Hayward, March 19-20 in Ontario, and March 26-27 in Sacramento. For information, call 916-922-4700.
- C. Contact Martin Harris (916-323-6027 or mharris@cde.ca.gov) if you would like your name on his list of people to contact when he updates the SACS validation tables.
- D. Alert from School Services of California: The IRS considers awards paid to staff as taxable compensation by the I.R.S.

II. Software Update

- A. Caryn Becker and Sherri Rowland of School Fiscal Services reviewed the progress on the 2001-02 budget software. A letter concerning changes to the software will be mailed around the end of February. Software changes will include:
 - 1. New funds for GASB 34: Fund 19 Foundation Special Revenue Fund and Fund 57 Foundation Permanent Fund have been added to the software for those who would like to use them in 2001-02.
 - 2. County and District Criteria and Standards have been modified based on C&S committee and State Board approved revisions.
 - 3. MYP forms: Multiyear projections are now required with budget reports in addition to Interim reports, so MYP forms are now available during the budget periods. You may submit MYP information in your own format.
 - 4. ROP and JUV forms (counties only): Since reserves in the Designated for Economic Uncertainties from the Juvenile Court /County Community Schools and Regional Occupational Centers/Programs funds can now be used in the determination of Budget Reserve Amounts, the ROP and JUV forms are now available during the Budget and Interim periods.

5. Attendance and Revenue Limit forms, as well as Technical Review Checks, have been modified for Charter Schools.

B. Changes to the Technical Review Checklists (TRC) will include:

1. CONTRIB-UNRESTR-REV, CONTRIB-RESTR-REV, CAT-TRANSFER changed from Warning to Fatal. Object 8980 Contribution from Unrestricted, Object 8990 Contribution from Restricted, and Object 8998 Flexibility Transfer, must all net to zero individually by fund.
2. PERS-REDUCTION check changed from Fatal to Warning for those LEAs that include JPA employees as part of their PERS Reduction calculation. These LEAs must explain why they fail this check.
3. The GOAL X FUNCTION table is now in the software for all periods.
4. INTRAFD-DIR-COST and INTRAFD-DIR-SUPP checks are now applicable for JPAs.
5. New Warning check will flag negative amounts by objects.
6. New Warning check will flag if the ICR report is not completed.
7. New checks will be built in for TRAN.

C. There has been a change to the User Data Input/Review. The data input window now allows a type-over of the data; you don't have to backspace or delete data first.

D. CDE is working on the software installation process. We know that it was a huge problem and are trying to avoid those problems this year.

E. We need beta testers for the new versions of the software. Several people volunteered at the meeting, and they will receive early versions of the software to test for errors. If anyone is interested in participating, please e-mail sacsinfo@cde.ca.gov or call 916-322-1770. The SACS software for the budget periods and the J-200 software are scheduled to be released mid-April. SACS software for all periods and the J-380 software are scheduled to be released mid-June.

F. Joanne Chini gave us a list of common errors made on the 1999-00 TRAN report. See Attachment A to the minutes.

G. We reviewed the proper accounting for Lottery. An indirect cost charge is not allowed against Resource 6300, Instructional Materials. Lottery money transferred from one LEA to another should not be accounted for by the

second LEA with Resource 1100 or 6300, to avoid the Lottery Reports of both showing expenditure of the same money. See Attachment B to the minutes.

III. Accounting Issues

- A. There are some new 2000-01 Resources since CSAM was issued:
- ❑ Resource 3870 Title VIII Reading Excellence Act: Local Reading Improvement Grants
 - ❑ Resource 3871 Title VIII Reading Excellence Act: Tutorial Assistance Grants
 - ❑ Resource 3926 Adult Ed: English Literacy & Civics Education
 - ❑ Resource 3927 Adult Ed: English Literacy Leadership and Capacity Building
 - ❑ Resource 6093 Cal-SAFE County Classroom (See Item F below.)
 - ❑ Resource 7352 Categorical Flexibility: School Improvement and Staff Development Cluster
 - ❑ Resource 7353 Categorical Flexibility: Alternative and Compensatory Education Cluster
 - ❑ Resource 7354 Categorical Flexibility: School District Improvement Cluster
 - ❑ Resource 7810 Gender Equality Training.
- B. There has been a lot of confusion between two grants for computers to LEAs who have fewer Advanced Placement classes. One, Resource 7127 Ed Tech Grant Program for High Schools, is issued by the Office of the Secretary of Education. The other, Resource 7274 Advanced Placement Challenge Grant, is issued by CDE. Part of the problem was the changing of names of Resource 7127, which was originally proposed as “On-Line Advanced Placement & Instructional Computers Grant.”
- C. Currently we have two resource codes for SIP: Resource 7260 SIP K-6 and Resource 7265 Resource 7-12. This has caused problems in coding expenditures, especially for those LEAs who have sites that span these two age groups. Although the SIP is apportioned via two different formulas, the expenditures may be combined into one resource. We discussed whether to add a new resource and omit the two old ones or whether to keep both the old ones. The committee recommended that we retain Resource 7260 as SIP and retain Resource 7265 in italics for optional use by those who wish to continue using that code.
- D. Questions have been asked about the proper accounting for the Special Education mandate settlement. We cannot issue final resource codes until the legislation appropriating the funds has been enacted, but we are guessing that the one-time settlement for past costs will be coded to Resource 0000 Unrestricted with Revenue Object 8590 Other State, and the on-going money

per AB 602 will be part of the apportionment of Resource 6500. Caution: this is not final.

- E. CDE has been asked about the coding for Resource 6017, the 2000-01 District-wide School Improvement Block Grant. This money may be used for the annual General Fund contribution to the Deferred Maintenance Program. If this is done, it is possible that this transfer could also be counted toward part of the required Routine Repair and Maintenance contribution as well. Attachment C details the proper account codes for this.
- F. It has been determined that the new Cal-Safe County Classroom run by COEs for pregnant minors will not be funded through the Form O and is not a Restricted Revenue Limit resource. Therefore Resource 2500 is inaccurate and misleading. We discussed whether to change the resource or to keep the resource and just change the revenue object code from Object 8091 Revenue Limit Transfers to Object 8590 Other State Revenue. After consideration of many factors, it was suggested that CDE should change the resource code to that of a state categorical, Resource 6093 Cal-SAFE County Classroom. Resource 2500 will be phased out.
- G. Peggy O'Guin reintroduced the possibility of adding a new object code, Object 4400, for non-capitalized equipment. This is a result of GASB 34 requirements to capitalize and depreciate equipment that meets a LEAs capitalization level, suggested to be \$5,000 per federal guidelines. At first we had considered leaving the chart of accounts as it is and let LEAs choose their own account code for equipment under the capitalization threshold, but further discussions with CDE program staff concerned about expenditure reports for their grants, led us to believe that we needed a standardized code. After discussion, it was agreed to adopt Object 4400 for non-capitalized equipment. This will be added to the 2000-01 and the 2001-02 software for those who wish to make use of this object code, although it will not be required until 2002-03.
- H. We discussed the appropriate coding for library subscriptions to data banks for reference by students and staff. Various possibilities were offered: Object 4300, treating the subscription as a magazine subscription, Object 5800 as a contracted service, Object 5300 as a subscription, and Object 5900 as a communication cost. It was suggested that CDE explore the issue with the technical world to determine which existing object code is most appropriate.
- I. The equity object codes are confusing some people. There are only three object codes for Beginning Fund Balance: Object 9791 Beginning Fund Balance is the sum of the components of the prior year's ending balance; Object 9793 is Audit Adjustments to the prior year's ending balance; and Object 9795 is Other Restatements of the prior year's ending balance.

All of the other equity accounts, Objects 9711 through 9790, are all part of the current year's ending balance. Of these, 9730 General Reserve is only used in the General Fund and the Adult Education Fund for purposes of setting aside reserves to meet cash flow requirements before tax revenue or state apportionment is received, and it is not appropriate for use in other funds. Object 9740 Legally Restricted Balance and Object 9780 Other Designations are both typically open to all resources that are subject to fund balances.

- J. We discussed the proper use of Fund 40 Special Reserve for Capital Outlay Projects, a capital project fund. Capital project funds, per General Governmental Accounting Principals, are used for the construction or acquisition of facilities, but many LEAs have used it improperly for other capital outlay expenditures, many of which should be accounted for in the General Fund.
- K. The accounting for the new Quality Zone Academy Bonds (QZAB) was discussed. See Attachment D.

IV. Future Reporting Formats

Julie Saylor of School Fiscal Services demonstrated the reporting feature that is being developed for possible inclusion in CDE financial software. The goal is to develop a standardized report format that could be utilized by LEAs and/or CDE to automatically generate reports on specific resources. There are four variations of this report, from the simplest, which reports only expenditures by classifications of object codes, to the more detailed which includes revenue object codes and functions as well as calculations of the indirect cost rate charged against the resource.

V. Future Meetings

There is more interest in attending the SACS Accounting Meetings, and our current meeting room, which has a maximum capacity of 45, is not adequate to meet this need. We discussed the possibility of using larger rooms, which do not have tables but do seat up to 100 people. The possibility of holding the meetings in nearby county offices was raised, as well as the possibility of revolving the meetings between facilities in both northern and southern California. Please contact Mary Eve Peek at mpeek@cde.ca.gov with your comments and suggestions.

The next meeting will be held at the Department of Education building at 721 Capitol Mall, Room 166, on Tuesday, April 3 from 9:30 a.m. to 2:30 p.m. You may park at the Mall or at an outdoor parking lot at L and 7th Street.

COMMON ERRORS ON TRAN
For 1999-2000

The following are common errors we found on the TRAN reports that were submitted to CDE with 1999-2000 unaudited actual data:

1. Schedule SP1: Pupil Data
Pupil days were not extended. Pupil days are the number of students times the number of days transportation was provided.
2. Schedules 1 through 4
We suspect that users are not opening the back-up schedules and are therefore missing the fact that the data is not balanced.
Quite often the required data is not entered on these schedules, such as the number of buses.
3. These revenues, such as fees collected for field trips or football buses, should be moved out of the transportation resources. Notice that such revenue reduces your allowable expenditures on III L.
4. Similarly, the expenditures for other miles should not be left in Resource 7230 or Resource 7240.
5. Transportation JPAs should use the same accounting as districts and COEs. JPAs also need to code the revenue and/or expenditures for Other Miles in some other appropriate resource, such as Resource 0000.
6. Expenditures and data such as number of pupils or buses have not been entered into the second column for Resource 7240.
7. Buses should be purchased in either the General Fund or in Fund 15. Fund 40 does not accept Function 3600, and therefore purchase of buses in Fund 40 will not be picked up by the TRAN software.

Attachment B

LOTTERY TRANSFERS BETWEEN LEAS

Example 1: One LEA has a contract for services with another LEA, and as part of the agreement, the lottery money follows the students:

County Office A receives apportionment for ROC/P and contracts with District B to provide a class. County Office A agrees to add the Lottery money attributable to those students to District B in addition to the money received by County Office A as apportionment:

COE A receives the lottery money from the state:

01-1100-0-0000-0000-8560

COE A send the lottery money to District B

01-1100-0-6000-1000-5800

District B receives the funding for the contract to provide a ROC/P class:

01-9010-0-0000-0000-8677 Interagency Services Between LEAs

and the lottery money

01-9010-0-00-00-8677 Interagency Services Between LEAs

Because the lottery report only looks at expenditures, CDE can't distinguish between the lottery expenditures of a district and the "lottery" expenditures of cash the district received from another district. The district should only use Resource 1100 Lottery or Resource 6300 Restricted Lottery for it's own lottery revenue.

Example 2: Three LEAs are members of a JPA to provide ROC/P services. They transfer their apportionment to the JPA. They also transfer the Lottery money attributable to those students:

District A, B, and C receive their lottery money from the state:

01-1100-0-0000-0000-8560

They transfer the lottery money to the JPA:

01-1100-0-0000-9000-7283 All Other Transfers to JPAs

The JPA receives the lottery money from the 3 districts:

01-1100-0-0000-0000-8781 All Other Transfers from Districts

Attachment C

DEFERRED MAINTENANCE MATCH AND RMAs

Q. May the 2000/01 District-wide Block Grant be used to make the General Fund contribution to the Deferred Maintenance Fund?

A. Yes, Resource 6017 District-wide School Improvement and Pupil Achievement Block Grant may be used to make the annual contribution to the Deferred Maintenance Fund. It must maintain the Resource code in Fund 14, so the Transfer would be:

Fu	Res	Y	Go	Func	Obj
01	6017	0	0000	9000	7615
01	6017	0	0000	0000	9110
14	6017	0	0000	0000	9110
14	6017	0	0000	0000	8915

Q. Will the transfer of the District-wide Block Grant money into the Deferred Maintenance Fund count toward the Ongoing Major Maintenance requirement?

A. It may be possible for some of the transfer of the District-wide Block Grant used as the General Fund match for the Deferred Maintenance program may be counted toward the 3% requirement for the SB 50/Prop 1A maintenance requirements. The School Facility Program (SFP) Requirements state that the “deposit to the Restricted Maintenance Account (RMA) which exceed 2.5% of the district’s general fund may be used towards the district’s match in the Deferred Maintenance Program.” (Chapter 9-3) However, the resource of the Block Grant, 6017, must follow the money. Therefore, you will need to document that your annual contribution to Deferred Maintenance is part of your RMA requirement. For example, if your annual RMA requirement for 2000-01 is \$60,000, you may have two transactions that make up that amount:

1. The Block Grant transfer into the Deferred Maintenance Fund

Fu	Res	Y	Go	Func	Obj	
01	6017	0	0000	9000	7615	\$10,000
						.5% of \$2,000,000 expenditure budget

2. A contribution from unrestricted into the RMA

Fu	Res	Y	Go	Func	Obj	
01	8150	0	0000	0000	8980	\$50,000
						2.5% of \$2,000,000 expenditure budget

QUALIFIED ZONE ACADEMY BONDS

R. How do you account for Qualified Zone Academy Bonds (QZABs)?

- A. The QZAB program is a federal program that allows LEAs to bond themselves, interest free, for purposed of setting up special academies whose purpose is to increase graduation rates and improve job skills. The following fields may be used to account for QZAP indebtedness incurred by LEAs:

Fund

The QZAP funding must be first deposited in the General Fund, where it may be expended. The money may be transferred into a capital project fund, such as Fund 40, Special Reserve for Capital Outlay Projects. Expenditures for normal operating functions should be made in the General Fund.

Resource

Typically, a resource code is not set up by CDE for loans. If the expenditures must be tracked, use Resource 9010 for restricted funding, and the QZAP funds are restricted to four categories

1. Rehabilitating or repairing the academy facility
2. Providing equipment for use at the academy
3. Developing curriculum
4. Training teachers and other school personnel at the academy

Goals

For rehabilitating or repairing facilities, use Goal 0000 Undistributed. For the other operational services, such as developing curriculum, use either Goal 0000 or the appropriate goal if it can be identified.

Functions

Use Function 8500 Facility Acquisition and Construction for rehabilitating or repairing facilities. For the other operational services, use appropriate functions, such as Function 2100 for curriculum development.

Objects

1. Revenue Object 8979 All Other Financing Sources for the receipt of funds into the General Fund.
2. Object 7639 Other Debt Service payments for the one-time escrow payment upon entering the debt.
3. Object 9135 Cash with Fiscal Agent for money set aside in an escrow account for future repayment of the QZAP loan.

